



Pacific Northwest Container Business Competitive Challenges

April 21, 2009

Washington State Transportation
Commission

Threats faced by PNW

Multi-Tiered Threat

- ✓ Threats are specific, quantifiable and varied across the supply chain

- ✓ Panama Canal Expansion // All Water Route
 - \$5.25 billion investment to double the capacity of the canal and permit new 12,500+ TEU ships to pass through; completion date 2014
- ✓ Suez Canal expanded use // All Water Route
 - Driven by manufacturing shifting into India and south Asia
- ✓ Mexican National Govt. Gateway Initiative
 - Punta Colonet, located on the northern Baja Peninsula, is a \$5 billion rail & seaport project set to open in 2012-2014, grow capacity to 6 million TEUs, currently reviewing 4 options for rail crossings into US, and projected to create 80,000 jobs

Threats faced by PNW

Multi-Tiered Threat (continued)

- ✓ Threats are specific, quantifiable and varied across the supply chain

Ports of Vancouver & Prince Rupert

- ✓ Canadian National Government Asia-Pacific Gateway & Corridor Initiative (APGCI)
 - Launched in 2006, highly coordinated & comprehensive
 - Infrastructure & Marketing -- \$2.3 billion of federal funds, \$860 million to date, including \$30 million for the Prince Rupert marine terminal
 - Government/Port Joint Marketing – Canadian National Government investing more than \$7 million in Asia-Pacific Gateway
- ✓ Geography – Prince Rupert is 1 full day closer to Asia

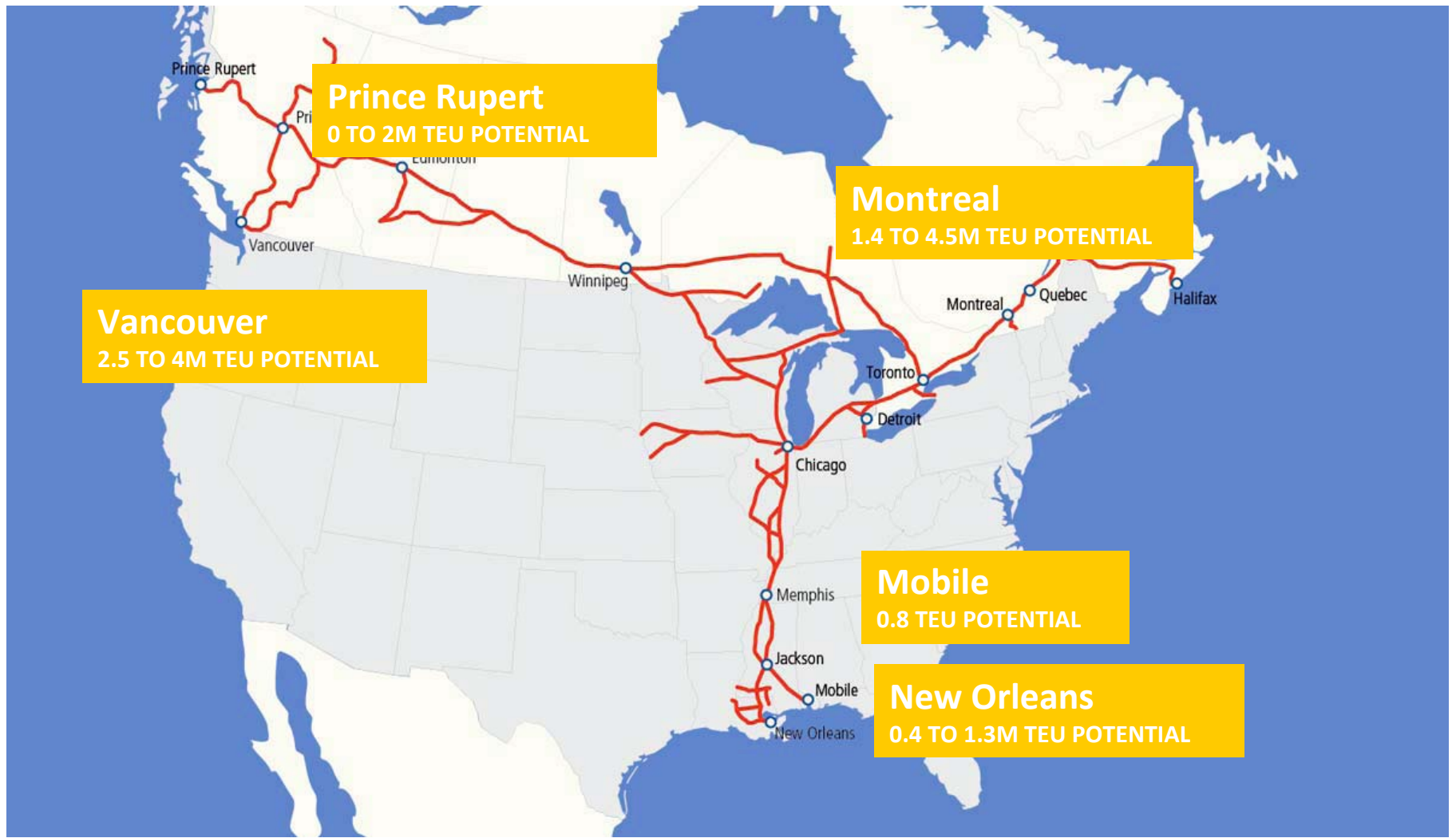
Threats faced by PNW

Multi-Tiered Threat (continued)

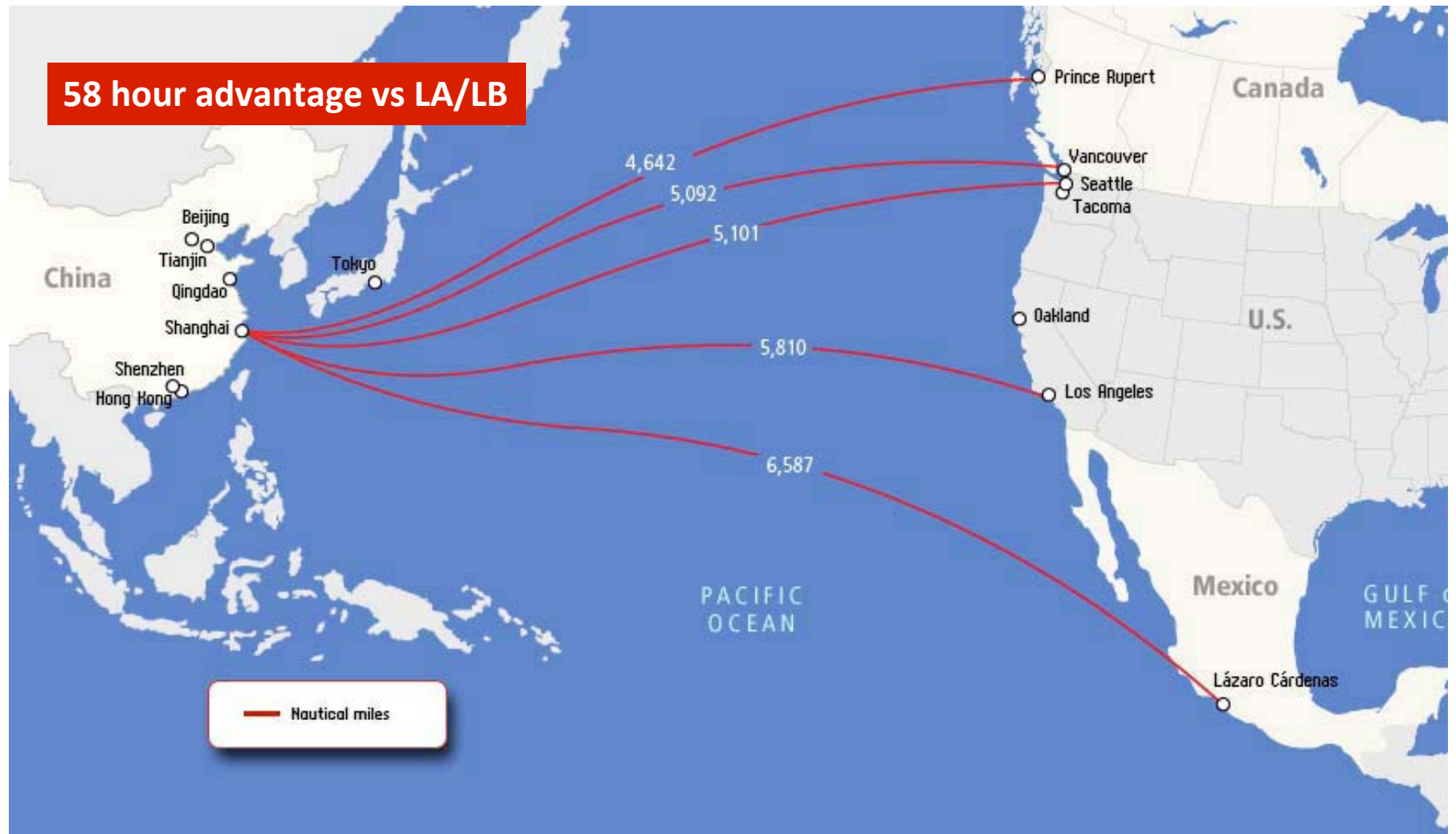
- ✓ Threats are specific, quantifiable and varied across the supply chain

- ✓ Less Time in Transit
 - Promoting a 9-11 hour advantage to Chicago, plus short dwell times at terminal
- ✓ Lower Canadian Rail Rates & Fuel Surcharge
 - West Coast to Chicago/Memphis has lower costs of \$200-500 per container
- ✓ Aggressive Rail Acquisition Strategy
 - Canadian Railroads acquiring US track to bolster Asia- Pacific Corridor strategy
- ✓ US fees create cost disadvantage
 - Harbor Maintenance Tax (HMT) adds an average of \$80-\$130 per container at POS
- ✓ Viaduct Rebuild – Direct competitive threat to POS

Capacity to Handle Growing Demand



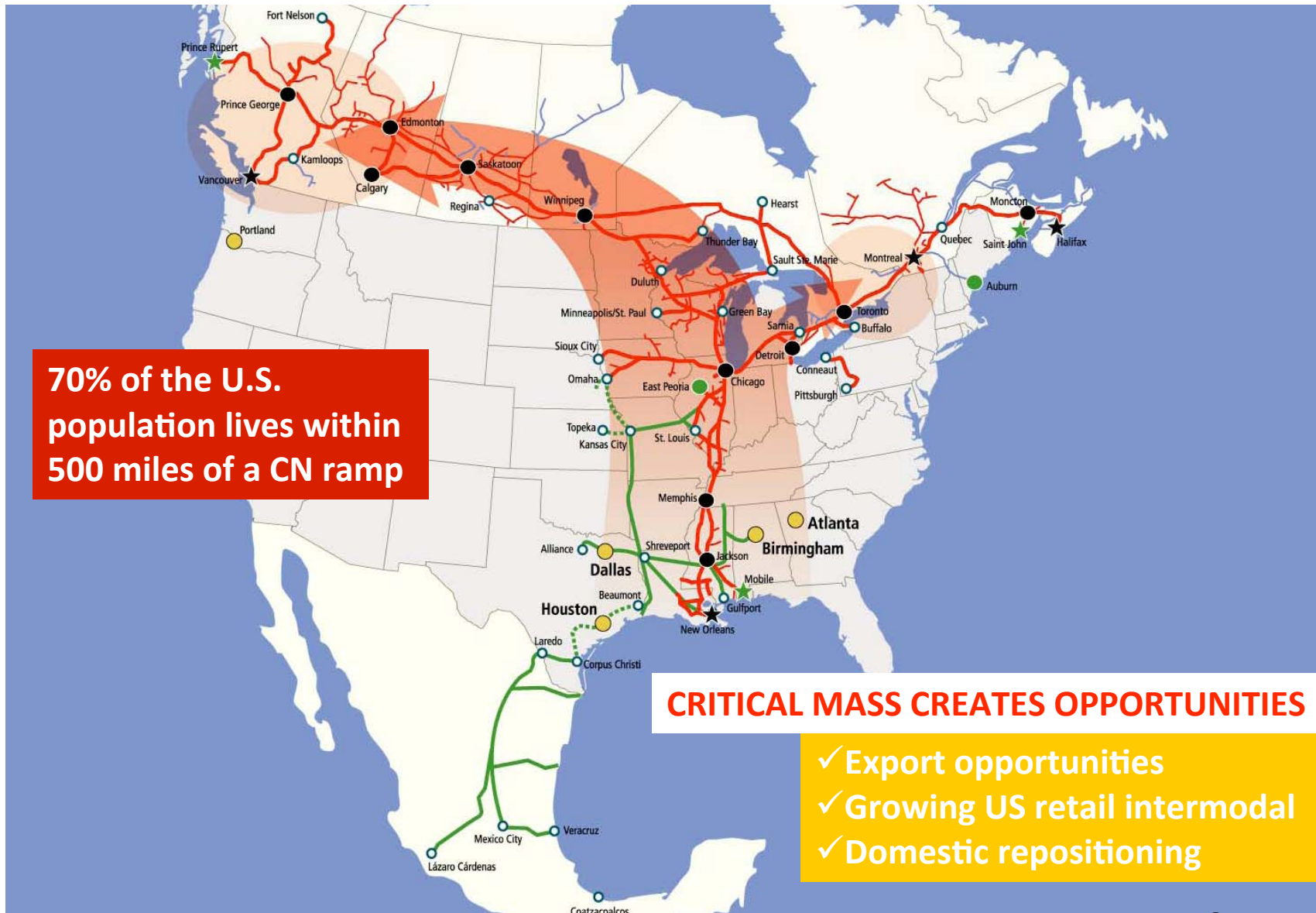
The Prince Rupert Advantage



Fast, reliable, scheduled service



Rupert changes the game in the U.S.



How do we meet these challenges?

Tools to Create Fair Competition

- ✓ Decrease US Costs (rail rates, fees)
- ✓ Cut the time of our cargo reaching the Midwest & beyond
- ✓ Increase Canadian & other Govt's costs
- ✓ Improve velocity (reduce dwell time, increase lifts per hour, new infrastructure, ongoing security & restart initiatives)
- ✓ Quantify a green gateway & accelerate market valuation of it
- ✓ Enhance marketing effectiveness

Actions for the Transportation Commission

SAFETEA-LU Reauthorization

- ✓ Promote NW record of success for well-leveraged, multi-benefit freight investments
- ✓ FAST Corridor -- \$568 million (\$190 million federal & \$378 million state, local, private)

- ✓ Recognition of essential role of ports in intermodal system
- ✓ Competitive threat from Canada and Mexico – New dynamic for Policy Makers
- ✓ 3 Strategy Drivers:
 - Support for dedicated freight program
 - Develop corridor criteria to help strategic priorities win (Promote the benefits safety, congestion & environment)
 - Any revenue options should apply to all freight, all ports of entry and be mode-neutral

SAFETEA-LU Reauthorization

National Focus on Freight

- ✓ National groups incorporating freight as key agenda item
- ✓ Developing across government, private sectors and associations
- ✓ Not all options benefit NW ports or cargo

- ✓ National Surface Transportation Commission
 - Create a National Freight Transportation Program
 - Supports Investment Tax Credit for Railroads
 - Fund Improvements through User Fees (container and customs)
- ✓ America's Road and Transportation Builders Association (ARTBA)
 - Developed a critical Commerce Corridors Concept
 - Funded by freight collected user fees outside of Highway Trust Fund
 - Focused on fixing Bottlenecks Funding Freight Corridors and Border Crossing Improvements
- ✓ American Association of State Highway Transportation Officials (AASHTO)
 - POS/MSC meeting with Executive Director
 - National Freight Program
 - Utilize both Highway Trust Fund and New Funding for Freight
 - Continue SAFETEA-LU freight Programs